

**PROPERTIES OF MERIT OF PA, INC.  
(A Not-for-Profit Corporation)**

**Report on Statement of Revenue, Expenditures, and Fund  
Balance and on Schedule of Budgeted, Reported,  
Allowable and Questioned Costs  
of the Pennsylvania Department of Community and  
Economic Development  
Contract #C000022728-01**

**For the Contract Period July 1, 2006 through June 30, 2008**

**CAMPBELL, RAPPOLD & YURASITS LLP**  
Certified Public Accountants  
1033 SOUTH CEDAR CREST BOULEVARD  
ALLENTOWN, PA 18103

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(A Not-for-Profit Corporation)  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Properties of Merit of PA, Inc.  
Allentown, Pennsylvania

We have audited the accompanying Statement of Revenue Expenditures and Fund Balance and the Schedule of Budgeted, Reported, Allowable and Questioned Costs of the Department of Community and Economic Development Contract #C000022728-01 of the Properties of Merit of PA, Inc., (A Not-for-Profit Corporation) for the contract period July 1, 2006 through June 30, 2008. This statement and schedule is the responsibility of the Organization's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement and schedule were prepared to present the contract activity of the Properties of Merit of PA, Inc. pursuant to the Department of Community and Economic Development Contract #C000022728-01 and is not intended to be a complete presentation of the Organization as a whole.

In our opinion, the aforementioned statement and schedule presents fairly in all material aspects, the revenue, expenditures and fund balance and the budgeted, reported, allowable and questioned costs for the contract period July 1, 2006 through June 30, 2008 on the basis of accounting described in the notes and in accordance with the Department of Community and Economic Development Contract.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2008 on our consideration of Properties of Merit of PA, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Board of Directors and management and the Pennsylvania Department of Community and Economic Development and should not be used for any other purpose.

*Campbell, Rappold & Yurasits LLP*

Certified Public Accountants

October 28, 2008

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**PROPERTIES OF MERIT OF PA, INC.**  
**(A Not-for-Profit Corporation)**  
**Statement of Revenue, Expenditures and Fund Balance for**  
**Contract #C000022728-01 with the Pennsylvania Department**  
**of Community and Economic Development for the Contract Period**  
**July 1, 2006 through June 30, 2008**

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Contract Revenue	\$ 100,000
Allowable Contract Expense ( Below)	<u>(100,000)</u>
Excess of Revenue over Expense	-
Fund Balance, Beginning of Contract	<u>-</u>
Fund Balance, End of Contract	<u>\$ -</u>

**SCHEDULE OF BUDGETED, REPORTED,**  
**ALLOWABLE, AND QUESTIONED COSTS**  
**for the Contract Period July 1, 2006 through June 30, 2008**

BUDGET CATEGORIES	Approved Budget	Reported Costs	Allowable Costs	
			Total	Questioned
A Salaries, Taxes and Benefits	\$ 74,500	\$ 105,472	\$ 74,500	-
B Training and Technical Assistance, Rent and Utilities	5,000	15,100	5,000	-
C Awards Activities	5,000	5,168	5,000	-
D Promotions/Public Relations and Advertising	10,000	10,000	10,000	-
E Audit	500	1,430	500	-
F Insurance, Legal Fees and Miscellaneous	5,000	5,820	5,000	-
	<u>\$ 100,000</u>	<u>\$ 142,990</u>	<u>\$ 100,000</u>	<u>\$ -</u>

See notes to financial statements and schedules.

**PROPERTIES OF MERIT OF PA, INC.**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS AND SCHEDULES**

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**1. Nature of Activities**

Properties of Merit of Pa, Inc. (formerly Properties of Merit of Allentown, Inc.) is a not for profit 501(c)(3) Organization that keeps morale and momentum forward in communities seeking to revitalize and better themselves through annual and ongoing programs. To ensure that all Properties of Merit programs are ongoing and continue over time, Properties of Merit provides one-on one support, training and materials to participating communities.

Properties of Merit of Pa, Inc. is a partner of the Pennsylvania Downtown Center, a not for profit organization dedicated to revitalization of Pennsylvania's core communities.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The statements and schedules have been prepared on the accrual basis.

**3. Expenditures**

All expenses under the contract were incurred during the period July 1, 2007 through June 30, 2008.

SUPPLEMENTARY INFORMATION

**PROPERTIES OF MERIT OF PA, INC.  
(A Not-for-Profit Corporation)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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There are no findings and questioned costs.

**PROPERTIES OF MERIT OF PA, INC.**  
**(A Not-for-Profit Corporation)**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS**

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There are no prior audit findings and recommendations.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Properties of Merit of PA, Inc.  
Allentown, Pennsylvania

We have audited the accompanying Statement of Revenue Expenditures and Fund Balance and the Schedule of Budgeted, Reported, and Allowable and Questioned Costs of Properties of Merit of Pa. Inc.'s Contract with the Pennsylvania Department of Community and Economic Development under Contract #C000022728-01 for the contract period of July 1, 2006 through June 30, 2008 and have issued our report dated October 28, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Properties of Merit of PA, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Properties of Merit of PA, Inc.'s financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the Organization, and the Department of Community and Economic Development and is not intended to be and should not be used by anyone other than these specified parties.

*Congbell, Roppold & Yurcanta LLP*

Certified Public Accountants

October 28, 2008